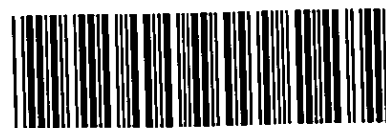


ACTUARIAL EDUCATION COMPANY LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008**

Registered number 03062375

WEDNESDAY



AE6UH8GT

A44

25/03/2009

181

COMPANIES HOUSE

Contents

	Pages
Directors' report	3-5
Statement of directors' responsibilities	6
Independent auditors' report	7-8
Profit and loss account	9
Balance sheet	10
Cash flow statement	11-12
Notes to the accounts	13-24

Directors' Report

The directors submit their report together with the audited financial statements of the company for the year ended to 31 December 2008.

Principal activity, review of the business

The profit and loss account for the year is set out on page 9.

The principal activity of the company is the provision of training for students taking the professional examinations of the Institute of Actuaries and the Faculty of Actuaries.

The level of profits achieved has exceeded expectations. An increase in the number of students entering the profession and an increased demand for face-to-face tuition has boosted revenue. This has helped the business achieve profits that are significantly higher than those achieved in 2007.

The company's constitution restricts it to working with students of the Institute and Faculty of Actuaries.

Future developments

The future depends on the market for teaching student actuaries. The directors expect that the present level of activity will be sustained in the foreseeable future.

Dividends and transfers to reserves

The company paid net dividends during the year of £1,045,000 (2007: £990,000).

Political and charitable donations

The company made no political donations during the year. It made a charitable donation of £400 (2007: nil).

Creditor policy

It is the company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

The creditor days as at 31 December 2008 was 14.53 days (2007: 14.53 days)

Auditors

A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

for the year ended 31 December 2008

Directors' Report

Directors

The directors of the company at 31 December 2008 and 2007 and their interests in the shares of BPP Actuarial Education Limited (the parent company) and of the ultimate parent company, BPP Holdings plc, at the beginning and end of the year are shown below:

**Number of ordinary 0.01p shares
in BPP Actuarial at 31 December
2008 and 2007**

Darrell Chainey

n/a

Phil Morey

n/a

Chris Ross-Roberts

n/a

The directors had no holdings in the shares of the company at any time during the year.

The directors had the following options in BPP Holdings plc (the ultimate parent company) during 2008:

Director	Date of grant of option	Type	Number of options held at 01/01/08	Number of options granted during 2008	Number of options exercised during 2008	Number of options held at 31/12/08
Darrell Chainey	17/3/05	Unapproved	10,000			10,000
	18/8/06	Approved	6,032			6,032
	18/8/06	Unapproved	3,968			3,968
Chris Ross-Roberts	16/8/05	Approved	7,900			7,900
	16/8/05	Unapproved	46,405			46,405
	18/8/06	Unapproved	54,398			54,398
	27/6/07	PSP	46,296			46,296
	17/3/08	PSP	-	47,010		47,010
Phil Morey	17/3/05	Unapproved	10,000			10,000
	18/8/06	Approved	6,022			6,022
	18/8/06	Unapproved	8,978			8,978
	27/6/07	PSP	6,313-			6,313
	17/3/08	PSP	-	9,021		9,021

Directors' Report

Notes:

1. Two directors for the company participate in the BPP Performance Share Plan (PSP) under which participants are granted a conditional award of shares that vest after three years subject to the BPP Holdings plc group (BPP Group) achieving certain performance targets and the approval of the BPP Holdings plc Remuneration Committee. The table above also shows the maximum number of shares that would be transferred to participants upon the BPP Group achieving or exceeding the maximum performance criteria.
2. All options are over shares in BPP Holdings plc and are exercisable from 3 - 10 years after the date of grant subject to meeting performance criteria. The criteria for vesting have been met for options granted on or before 16 August 2005 so that these options have vested
3. Chris Ross-Roberts has an interest through holdings by himself and by close family members in 22,812 (2007:15,000) BPP Holdings plc shares. Darrell Chainey had 3,944 (2007: 1,485) ordinary shares in BPP Holdings plc. Phil Morey had no shareholdings in BPP Holdings plc.

By order of the Board



DARRELL CHAINEY

Director

16 March 2009

Statement of Directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



DARRELL CHAINEY
Director

16 March 2009

Independent auditors' report to the members of Actuarial Education Company Limited

We have audited the financial statements of Actuarial Education Company Limited for the year ended 31 December 2008 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Actuarial Education Company Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Mazars LLP

Chartered Accountants and Registered Auditors

20 March 2009

for the year ended 31 December 2008

Profit and Loss Account

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Turnover	2	5,984,767	5,171,224
Cost of sales		<u>(4,039,157)</u>	<u>(3,452,494)</u>
Gross profit		1,945,610	1,718,730
Administrative expenses		<u>(536,763)</u>	<u>(534,352)</u>
Operating profit		1,408,847	1,184,378
Interest receivable		<u>86,127</u>	<u>93,507</u>
Profit on ordinary activities before taxation	3	1,494,974	1,277,885
Tax on ordinary activities	5	<u>(454,746)</u>	<u>(352,892)</u>
Profit for the year		<u>1,040,228</u>	<u>924,993</u>

All business activities of the company are continuing in nature.

There are no recognised gains or losses other than the net profit for the year of £1,040,228 in the year ended 31 December 2008 and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.


The notes on pages 13 to 24 form an integral part of these financial statements.

for the year ended 31 December 2008

Balance Sheet

		2008		2007	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	6		9,759		20,964
CURRENT ASSETS					
Stock	7	49,035		25,890	
Debtors	8	478,434		472,558	
Cash at bank and in hand		<u>2,392,987</u>		<u>2,299,429</u>	
		2,920,456		2,797,877	
CREDITORS: amounts falling due within one year	9	<u>(2,769,158)</u>		<u>(2,670,556)</u>	
NET CURRENT ASSETS			<u>151,298</u>		<u>127,321</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			161,057		148,285
CREDITORS: amounts falling due greater than one year	10		<u>-</u>		<u>-</u>
NET ASSETS			<u>161,057</u>		<u>148,285</u>
CAPITAL AND RESERVES					
Called up share capital	11		100		100
Profit and loss reserve	12		<u>160,957</u>		<u>148,185</u>
TOTAL SHAREHOLDERS' FUNDS	12		<u>161,057</u>		<u>148,285</u>

The financial statements on pages 9 to 24 were approved by the board of directors on 16/3/09 and were signed on their behalf by:



Darrell Chainey
Director

The notes on pages 13 to 24 form part of these accounts.

for the year ended 31 December 2008

Cash Flow Statement

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
<i>Net cash inflow from continuing operating activities</i>	<u>1,401,444</u>	<u>2,865,910</u>
<i>Returns on investments and servicing of finance</i>		
Interest received	<u>86,127</u>	<u>93,507</u>
<i>Taxation</i>		
UK corporation tax paid	<u>(349,681)</u>	<u>(3,692)</u>
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(7,522)	(21,227)
Proceeds on sale of tangible fixed assets	<u>8,190</u>	<u>-</u>
<i>Net cash inflow from capital expenditure and financial investment</i>	<u>1,138,558</u>	<u>2,934,498</u>
<i>Equity dividend paid</i>	<u>(1,045,000)</u>	<u>(990,000)</u>
<i>Increase in cash</i>	<u>93,558</u>	<u>1,944,498</u>
<i>Reconciliation of net cash flow to movement in net cash</i>		
	2008	2007
	£	£
Net cash inflow	93,558	1,944,498
Opening net cash	<u>2,299,429</u>	<u>354,931</u>
Closing net cash	<u>2,392,987</u>	<u>2,299,429</u>

for the year ended 31 December 2008

Cash Flow Statement – Notes*Reconciliation of operating profit to net cash inflow from continuing operating activities*

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Operating profit	1,408,847	1,184,378
Depreciation	15,997	24,542
Share based payments	17,544	22,538
Gain on sale of fixed assets	(5,460)	-
(Increase)/Decrease in stock	(23,145)	30,510
(Increase)/Decrease in debtors	(5,876)	1,255,275
(Decrease)/Increase in creditors	(6,463)	349,917
(Decrease) in long term lease	-	(1,250)
	<u>1,401,444</u>	<u>2,865,910</u>

Analysis of changes in financing during the year

	2008 £	2007 £
Opening net cash	2,299,429	354,931
Net cash inflow	<u>93,558</u>	<u>1,944,498</u>
Closing net cash	<u>2,392,987</u>	<u>2,299,429</u>

Analysed in balance sheet

	2008 £	2007 £
Cash in hand and at bank	<u>2,392,987</u>	<u>2,299,429</u>

Notes to the accounts

1. Accounting policies

(a) *Accounting policies*

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom. A summary of the more important accounting policies is given below.

(b) *Tangible fixed assets*

Depreciation is provided at rates calculated to write off the costs, less estimated residual value, of each asset evenly over its expected useful life.

- (i) Depreciation on leasehold property and capitalised leased equipment is provided on a straight line basis over the duration of the lease.
- (ii) Depreciation on fixtures and fittings is at 25% per annum on cost.
- (iii) Depreciation on office equipment is at 33.3% per annum on cost.
- (iv) Depreciation on motor vehicles is at 25% per annum on cost.

In all cases depreciation is charged from the year of acquisition except for capitalised lease equipment.

(c) *Stocks*

Stocks which consist of study material are valued at the lower of printed cost and net realisable value.

(d) *Deferred taxation*

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

(e) *Operating lease commitments*

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

(f) *Finance Leases*

Assets held under finance leases (where the useful life of the asset corresponds with the lease term) are included in office equipment in fixed assets at cost and depreciated over the estimated useful life. Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

Notes to the accounts

1. Accounting policies (continued)

(g) *Pension Costs*

Contributions payable to the company's defined contribution pension scheme are charged to the profit and loss account in the period to which they relate. At present the pension scheme is non-contributory.

(h) *Turnover*

Turnover represents the invoiced amount of goods and services provided during the period, stated net of value added tax. Amounts invoiced but unearned at the year end are treated as deferred revenue.

Sales of materials are recognised when the goods are shipped. Sales of marking and tutorial services are recognised as the services are provided.

(i) *Audit Fees*

The company paid the £3,950 (2007: £3,700) audit fees of Institute and Faculty Education Ltd.

(j) *Share-based payments*

Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification.

No reduction is recognised if this difference is negative.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to

for the year ended 31 December 2008

1. Accounting policies (continued)**Equity settled transactions (continued)**

apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2008.

For awards granted before 7 November 2002, the group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

2. Turnover

Turnover by geographic region is as follows:

	2008	2007
	£	£
United Kingdom	5,214,947	4,590,033
European Union	272,618	198,915
Africa	346,015	310,620
Other	151,187	71,656
TOTAL	5,984,767	5,171,224

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following items:

	Year ended 31 December 2008	Year Ended 31 December 2007
	£	£
Depreciation	15,997	24,542
Auditors' remuneration – audit	11,056	9,839
Auditors' remuneration – non-audit services	6,000	-
Hire of plant and machinery (operating leases)	1,220	1,220
Operating lease rentals (property) recharge	25,447	25,075

4. Directors and employees

Staff costs during the period amounted to:

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Wages and salaries	2,068,497	1,752,044
Social security costs	210,918	206,199
	2,279,415	1,958,243

for the year ended 31 December 2008

Notes to the accounts**Directors and employees (continued)**

The average number of employees during the year was:	Number	Number
Tutors	25	23
Administration	<u>11</u>	<u>9</u>
	36	32
Directors' remuneration	£	£
Aggregate emoluments	<u>149,009</u>	<u>124,614</u>

5. Taxation on results from ordinary activities

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£
Corporation tax @ 30%		
Current year	460,263	352,892
Prior years	(5,517)	-
Deferred tax	-	-
	<u>454,746</u>	<u>352,892</u>

Factors affecting the tax charge for the year

Profit on ordinary activities before tax	<u>1,494,974</u>	<u>1,277,885</u>
--	------------------	------------------

Profit on ordinary activities before taxation multiplied
by the standard rate of UK corporate taxation of 30%

<u>448,492</u>	<u>383,366</u>
----------------	----------------

Effects of:

Non deductible expenses	5,263	6,761
Depreciation	4,799	7,363
Capital Allowances	(5,529)	(6,427)
Tax losses carried forward/utilised	-	(38,082)
(Over)/under provisions for prior years	(5,517)	-
Other tax adjustments	7,238	(89)
TOTAL	<u>6,254</u>	<u>(30,474)</u>

Current tax charge	<u>454,746</u>	<u>352,892</u>
--------------------	----------------	----------------

Note: the deferred tax balance of £2,843 (2007: £1,512) was not provided for in the accounts due to its immateriality.

for the year ended 31 December 2008

Notes to the accounts**6. Tangible fixed assets**

	Leasehold property	Fixtures & fittings	Office equipment (incl. Leased)	Total
	£	£	£	£
Cost:				
At 31 December 2007	2,387	2,490	93,456	98,333
Additions	-	-	7,522	7,522
Disposals	-	-	(8,190)	(8,190)
At 31 December 2008	<u>2,387</u>	<u>2,490</u>	<u>92,788</u>	<u>97,665</u>
Depreciation:				
At 31 December 2007	1,840	2,490	73,039	77,369
Charge for the year	149	-	15,848	15,997
Disposals	-	-	(5,460)	(5,460)
At 31 December 2008	<u>1,989</u>	<u>2,490</u>	<u>83,427</u>	<u>87,906</u>
Net book value:				
At 31 December 2008	<u>398</u>	<u>-</u>	<u>9,361</u>	<u>9,759</u>
Net book value:				
At 31 December 2007	<u>547</u>	<u>-</u>	<u>20,417</u>	<u>20,964</u>

The net book value of office equipment of £9,361 includes an amount of £nil (2007: £1,571) in respect of assets held under finance leases. The original cost of these assets was £11,000 (2007: £11,000). The depreciation charge for the year on these assets is £1,571 (2007: £1,571).

7. Stock

	2008 £	2007 £
Finished goods	<u>49,035</u>	<u>25,890</u>

8. Debtors

	2008 £	2007 £
Other debtors	423,036	400,280
Amounts owing from group undertakings	-	20,227
Prepayments	<u>55,398</u>	<u>52,051</u>
	<u>478,434</u>	<u>472,558</u>

for the year ended 31 December 2008

Notes to the accounts**9. Creditors: amounts falling due within one year**

	2008 £	2007 £
Obligations under finance leases & hire purchase contracts	-	1,306
Trade creditors	79,403	78,634
Amounts owing to group undertakings	158,905	407,043
Corporation tax	807,765	702,700
Accruals	289,932	237,317
Other taxes and social security	26,343	9,766
Deferred income	<u>1,406,810</u>	<u>1,233,790</u>
	<u>2,769,158</u>	<u>2,670,556</u>

10. Creditors: amounts falling due in more than one year

	2008 £	2007 £
Obligations under finance leases & hire purchase contracts	<u>-</u>	<u>-</u>

The current payments due are shown under current liabilities (see note 9).

Obligations under finance leases. Amounts payable:	2008 £	2007 £
In the next year	-	1,306
Within two to five years	-	-
After 5 years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>1,306</u>

11. Share capital

	Authorised number of special shares Number	Allotted, issued and fully paid special shares £	Authorised number of ordinary shares Number	Allotted, issued and fully paid ordinary shares £
At 31 December 2007	1	1	99	99
At 31 December 2008	1	1	99	99

All ordinary shares carry one vote and are entitled to an equal share of any proceeds upon wind up of the company.

The special share carries no entitlement to vote, dividend, or any rights upon wind up of the company. Its only right is a vote in any change of the company's memorandum or articles of association.

for the year ended 31 December 2008

Notes to the accounts**12. Reconciliation of shareholders' funds and movements on reserves**

	Share capital	Profit & loss account	Total
	£	£	£
At 31 December 2007	100	148,185	148,285
Share based payments	-	17,544	17,544
Profit for the year	-	1,040,228	1,040,228
Dividends paid	-	(1,045,000)	(1,045,000)
At 31 December 2008	100	160,957	161,057

13. Dividends on equity shares

	2008 £	2007 £
Ordinary – interim dividends paid of £10,555.56 (2007: £10,000.00) per share	1,045,000	990,000

14. Related party transactions

£5,983,310 (2007: £5,170,839) of the turnover of the company comes from Institute and Faculty Education Ltd (IFE Ltd). Some of this income is from students originating outside of the United Kingdom and has been included as non UK turnover (see note 2 for details). IFE Ltd is the provider of training and educational services for students taking the professional examinations of the Institute of Actuaries and Faculty of Actuaries. IFE Ltd contracts out these services to the company. At 31 December 2008 the balance outstanding owed to the company by IFE Ltd was £414,819 (2007: £394,280).

£1,253 (2007: £135) of the turnover of the company comes from its parent company BPP Actuarial Education Limited for its share of overheads.

The company has an intercompany balance with BPP Holdings plc. During 2007 the company loaned money to BPP Holdings plc and earned interest of £86,127 (2007: £93,507). This interest figure also includes interest paid by BPP Services Ltd (a wholly owned subsidiary of BPP Holdings plc) on the bank balances held by the company, as under group banking arrangements the company does not earn interest directly in its bank accounts. The balance owed to BPP Services Ltd by the company at 31 December 2008 was £115,764 (2007: £(18,520)).

The company incurred charges of £359,616 (2007: £250,459) from other subsidiaries of BPP Holdings plc with respect to the rental of rooms for tutorials. At 31 December 2008 the balance owed to these subsidiaries by the company was £22,927 (2007: £407,043).

The company owed £20,214 to its parent company BPP Actuarial Education at 31 December 2008 (2007: £(1,706)).

Notes to the accounts

15. Ultimate parent company and controlling party

The directors regard BPP Actuarial Education Limited, a company registered in England and Wales, as the immediate parent company.

The directors regard BPP Holdings plc, a company registered in England and Wales and listed on the London Stock Exchange as the ultimate parent company. According to the register kept by the company, BPP Holdings plc has a 58.3159% interest in the equity capital of BPP Actuarial Education Limited. Copies of BPP Holdings plc's accounts can be obtained from BPP House, Aldine Place, London, W12 8AA.

BPP Holdings plc has entered into put and call options with the shareholders of the balance of BPP Actuarial Education Limited issued share capital. The put options are exercisable in April of the year from 2000. Any minority shareholder can require the company to purchase, for cash, his interest in BPP Actuarial Education Limited in three equal annual tranches. Under the call option the company can require the minority shareholder to sell their interests in BPP Actuarial Education Limited in January 2015. The amount payable is based on the earnings of BPP Actuarial Education Limited for two years preceding the exercise of each tranche.

16. Defined Contribution Scheme

The company operates a group defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension scheme is non-contributory and so no contributions were paid by the group during the year (2007: none) and no amounts were outstanding at year end (2007: none).

17. Guarantee

The banking facilities are secured by an unlimited inter-company guarantee between the companies within the BPP Holdings plc group.

18. Share based payments

The parent company, BPP Holdings plc, operates an Executive share option scheme which is open to group employees.

BPP Holdings plc has an employee share ownership trust (ESOT) for the granting of non-transferable options to certain key members of staff and Executive Directors. Options are granted with a fixed exercise price equal to the market price of the shares under the option at the grant date. There are four Executive Share Option Schemes run by BPP Holdings plc.

In 1996 two Executive Share Option Schemes were set up, one approved by the Inland Revenue and the other operated as an unapproved scheme. The contractual lives of the options held within the approved and unapproved schemes are 10 years and 7 years from the date of grant respectively. In both the approved and unapproved schemes the options become exercisable on the third anniversary of the grant of the option subject to the growth in earnings per share over any three year period exceeding the percentage increase in the Retail Price Index (RPI) plus 3% per annum. Following the adoption of new Executive Share Option Scheme in 2003 no further options can be granted under the 1996 scheme.

In 2003 two Executive Share Option Schemes were set up, one approved by the Inland Revenue and the other operated as an unapproved scheme. The contractual life of the option is 10 years from the date of grant and the options become exercisable on the third anniversary of the grant of the option subject to the growth in earnings per share over the period exceeding the percentage increase in the Retail Price Index (RPI) plus 3% per annum. Exercise of options is subject to continued employment.

for the year ended 31 December 2008

Notes to the accounts**Share based payments continued**

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of share options for the ESOT.

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at 1 January*	1,085,062	£3.81	2,058,806	£3.60
Forfeited during year	(37,500)	£4.16	(52,394)	£3.40
Exercised during year	(144,100)	£3.36	(921,350)	£3.36
Outstanding at 31 December	903,462	£3.88	1,085,062	£3.81
Exercisable at 31 December	436,093	£3.44	99,185	£2.87

*Included within this balance are options over 21,260 shares (2007 – 37,360) that have not been recognised in accordance with IFRS 2 Share Based Payments as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

For share options exercised under the Executive Share Option Scheme during the period the weighted average share price at the date of exercise was £5.05 (2007 – £6.18).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2008 is 9.8 years (2007 – 9.9 years).

Performance Share Plan (PSP)

This plan involves the conditional share awards to participants subject to a non-market performance condition (EPS).

The contractual life of the awards is 3 years. They become exercisable on the third anniversary of the grant of the award, subject to the growth in adjusted earnings per share over the period exceeding the percentage increase in the Retail Price Index (RPI) plus between 5% and 20% per annum (awarded on a sliding scale). Exercise of awards is subject to continued employment and approval of the Remuneration Committee.

The fair value of award under the PSP is calculated using the market value of shares at the time of the award and excludes the impact of dividends.

	2008 No.	2007 No.
Outstanding at 1 January	255,161	-
Granted during year	379,806	260,422
Forfeited during year	(61,684)	(5,261)
Exercised during year	-	-
Outstanding at 31 December	573,283	255,161
Exercisable at 31 December	-	-
Fair Value of Outstanding Awards at 31 December (£'000)	3,025	1,516

The weighted average remaining contractual life for the share awards outstanding as at 31 December 2008 is 1.9 years (2007 – 2.5 years).

The weighted average fair value of shares issued under the PSP during the year was £4.85 (2007 – £5.94)

for the year ended 31 December 2008

Notes to the accounts

Share based payments continued

Share Matching Scheme

Under the share matching plan (SMP) from 2009 onwards, Executive Directors will be required to defer half of their gross annual bonus in respect of the previous financial year (up to a maximum of 25% of base salary, or 37.5% of base salary for the Chief Executive) as an investment in Ordinary Shares in the Company. In the event that the deferred amount is less than 25% of the Executive Director's annual base salary, they may voluntarily defer a further proportion of their gross bonus or invest further funds from their own external resources to make up all or a proportion of that shortfall. Roger Siddle, in addition to the deferred proportion of his gross annual bonus may voluntarily defer a further proportion of his gross bonus or invest further funds from his own external resources so that the annual total value of shares qualifying for matching under the SMP may be up to £250,000. The aggregate amount will then be invested into Ordinary Shares in BPP Holdings plc.

In return, those shares will have the potential to earn 'matching shares' in proportion to the amount invested. The number of 'matching shares' that the Executive Directors will be entitled to will depend on the total shareholder return ("TSR") of the Company over a three year performance period. For the initial awards, the following schedule will be used:

TSR over the 3 year period	Matching shares
Below 15% p.a.	0 matching shares
15% p.a.	0.2 matching shares for 1 share
Between 15 p.a. and 25% p.a.	Pro rata between 0.2 and 2 matching shares (on a straight line basis)
25% p.a. or above	2 matching shares for 1 share

For the first awards under the SMP made during 2008, as an interim arrangement only, Executive Directors have been invited to participate in the SMP on a voluntary basis.

a) On 1 May 2008, 23,562 investment shares awards were awarded in lieu of bonuses. The contractual life of the awards is 3 years and they become exercisable on the third anniversary of the grant of the option. Exercise of the awards is subject to continued employment. As the Investment Share Awards have no performance conditions attached, and carry an entitlement to dividends paid during the vesting period, the fair value of the awards is equal to the current market value of the shares on the grant date (£5.04).

b) 1 May 2008, 119,924 matching share awards were awarded. The contractual life of the awards is 3 years and the awards become exercisable on the third anniversary of the grant date, subject to the growth in absolute total shareholder return (a market based condition) over the performance period. Exercise of the awards is subject to continued employment. The fair value of the award is calculated using the binomial model, adjusted for the likelihood of achieving the market based condition. Participants are not entitled to receive the value of dividends that are paid during the vesting period.

for the year ended 31 December 2008

Notes to the accounts**Share based payments continued**

The following table illustrates the number (No.) of share awards for the share matching plan shares.

	2008 Investment shares No.	2008 Matching shares No.
Outstanding at 1 January	-	-
Granted during year	23,562	119,924
Forfeited during year	-	-
Exercised during year	-	-
Outstanding at 31 December	23,562	119,924
Exercisable at 31 December	-	-
Average remaining contractual life for the share options outstanding as at 31 December	2.3 years	2.3 years

Savings Related Share Option Scheme

BPP Holdings plc also operates a savings related share option scheme (Sharesave) that is open to all employees of the group within the UK. Options are issued at a discount of 15% of the share price on the day of grant and are exercisable three years after they are issued. Exercise of the option is subject to continued employment and the scheme leaver provisions.

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of share options for the sharesave.

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at 1 January	723,489	£4.00	834,737	£3.06
Granted during year	341,749	£3.79	281,349	£4.85
Forfeited during year	(83,140)	£4.12	(50,569)	£3.18
Exercised during year	(115,240)	£3.16	(341,638)	£2.54
Outstanding at 31 December	866,858	£4.01	723,489	£4.00
Exercisable at 31 December	56,319	£3.20	8,465	£2.54

For share options exercised under the savings related share option scheme during the period the weighted average share price at the date of exercise was £3.64 (2007 – £5.98).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2008 is 2.3 years (2007 – 2.5years).

for the year ended 31 December 2008

Notes to the accounts**Share based payments continued**

The fair values of the Sharesave plans and share matching share options have been estimated at the date of grant using the binomial model. The following table gives the assumptions used in valuing the grant of options made during the periods.

	2008 Share Matching shares	2008 Sharesave	2008 Sharesave
Grant date	01/05/08	03/10/08	5/10/08
Share price at grant date (£)	5.04	4.58	5.04
Exercise price (£)	-	3.79	4.58
Dividend yield (%)	3.5	4.0	3.5
Expected volatility (%)	25	45	25
Risk free interest rate (%)	4.86	3.99	5.04
Expected life of options (years)	3	3.5	3
Expected forfeiture (%)	-	28	-
Fair Value (£)	1.06	1.83	1.06

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.